

PUBLIC DISCLOSURE

January 4, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Proficio Bank
Certificate Number: 35495**

**6985 Union Park Center, Suite 150
Cottonwood Heights, Utah 84047**

**Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office**

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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **Substantial Noncompliance**. An institution in this group has a substantially deficient record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

Proficio Bank's (PB's) performance is poor, as further described below, resulting in an overall CRA Rating of "Needs to Improve." The rating resulted from an evaluation of PB's performance under the bank's CRA strategic plan during 2012 and 2013, and the application of small bank performance criteria for 2014 and 2015. In addition, substantive violations of Section 8 of the Real Estate Settlement Procedures Act (RESPA) relating to the payment of illegal referral fees were identified during the review period. Although the illegal credit practices have stopped, these RESPA violations must be taken into account when assessing a bank's overall CRA Rating as they are inconsistent with meeting community credit needs. Based on the seriousness of these violations, the institution's CRA Performance Evaluation (PE) Rating has been lowered from "Needs to Improve" to "Substantial Noncompliance."

The following points summarize the bank's performance:

Performance under CRA Strategic Plan for 2012 and 2013

Performance is rated Satisfactory.

- PB exceeded the bank's minimum thresholds for outstanding performance as defined by the bank's CRA Strategic Plan (Plan) goals for investments for 2012 and 2013.
- PB exceeded the minimum thresholds for satisfactory performance as defined under the bank's CRA Plan for community development (CD) services during Plan year 2012. PB failed to meet the minimum threshold for satisfactory performance as defined by the Plan for CD services during Plan year 2013.

Performance under Small Bank Examination Procedures for 2014 and 2015

Lending Test is rated Needs to Improve.

- The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The institution originated a substantial majority of loans outside the AA.
- The geographic distribution of loans reflects poor dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AAs, poor penetration of loans among individuals of different income levels.
- There were no CRA-related consumer complaints during the evaluation period; therefore, the bank was not evaluated under this criterion.

SCOPE OF EVALUATION

General Information

The current evaluation was conducted at PB's main office in Cottonwood Heights, Utah. Examiners relied on bank records, public financial information, demographic data from the 2010 U.S. Census and other public sources, and information obtained from community contacts. This evaluation reflects the bank's CRA performance since the previous evaluation, dated October 1, 2012, through the current evaluation, dated January 4, 2016. Examiners used the Interagency Strategic Plan Procedures and Interagency Small Institution Examination Procedures as described below.

The Interagency Strategic Plan Procedures consists of evaluating a bank based on criteria established within the bank's approved CRA Plan, which sets forth measurable goals for qualified investments and CD services. PB operated under an approved Plan from October 1, 2012 through December 31, 2013. Because partial year performance does not provide a reliable measure for annual performance under the Plan, PB's calendar year 2012 performance data is presented in this evaluation.

After the Plan expired, Small Institution Examination Procedures were used to evaluate the bank's performance from January 1, 2014 through January 4, 2016. The Interagency Small Institution Examination Procedures consists of the lending test which includes the following criteria:

- LTD ratio
- AA concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

PB's performance under the Plan (for October 1, 2012 through December 31, 2013) is given less weight than its performance under the small bank lending test, which covered a longer time period (from January 1, 2014 to January 4, 2016).

Loan Products Reviewed

Based on PB's lending activities, loan products relevant to the evaluation include small business loans and residential real estate loans. For purposes of CRA, small business loans are defined as commercial and industrial loans, as well as commercial real estate loans of \$1 million or less at origination. CRA-applicable residential loans encompass all loans reportable under Home Mortgage Disclosure (HMDA), including residential-purpose loans secured by 1 to 4 family and multi-family housing units. The bank did not originate any small farm or agricultural loans during the review period.

According to the September 30, 2015 Consolidated Report of Condition and Income (Call Report), commercial real estate and commercial/industrial loans represent 64.2 percent by dollar volume of the bank's loan portfolio and residential loans represent 11.4 percent by dollar volume. Because PB sells all of its residential mortgage loan originations on the secondary market, the extent of the bank's residential mortgage lending activity is not reflected in the Call Report. PB originated 3,170 residential real estate loans totaling \$591.8 million during the 2014 and 2015 review period, which

were subsequently sold on the secondary market.

Considering PB's secondary market activity, the closed-end mortgage volume far exceeds the institution's commercial loan volume. Additionally, the bank stopped originating forward mortgage loans effective January 16, 2015. Therefore, performance in 2014 carries a greater amount of weight for residential mortgage lending in the lending test analysis based on loan volume. For 2015, small business and residential mortgage lending performance received an equal amount of weight in the lending test analysis based on loan volume.

PB is a HMDA reporter. Therefore, the residential loan review included all HMDA-reportable loans originated by the bank for 2014 and 2015. In 2014, the bank originated 2,992 residential loans totaling \$560.2 million. In 2015, the bank originated 178 residential loans totaling \$31.6 million. The decline in residential loans from 2014 to 2015 resulted from the discontinuation of forward mortgage products. For comparison purposes, 2014 aggregate HMDA data was used in this evaluation. The 2015 aggregate data was not available at the time of this evaluation. In addition, 2010 U.S. Census data is shown for comparative purposes in the analyses of the borrower profiles and the geographic distribution of residential mortgage loans for the number of families and owner-occupied housing units in the bank's AA. This data is based on the income levels of families and the geographic location, using 2010 U.S. Census boundaries, for the total number of owner-occupied housing units within the AA.

PB was not required to collect and report small business loans during the current review period; therefore, examiners reviewed the total universe of CRA-defined small business loans. In 2014, the bank originated 14 small business loans totaling \$7.6 million. In 2015, the bank originated 15 small business loans totaling \$4.4 million. This comprised the full universe of CRA-defined small business loans the bank made during 2014 and 2015. The 2014 D&B data was used for comparison purposes; 2015 D&B data was not available at the time of this evaluation.

While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served.

For purposes of evaluating the Plan, management provided data on qualified investments and CD services for the review period.

DESCRIPTION OF INSTITUTION

Background

PB is a state-chartered, non-member commercial bank. PB operates out of a single office in Cottonwood Heights, Utah, and is a wholly-owned subsidiary of NHB Holdings Incorporated. PB owns and operates Proficio Mortgage Venture, LLC (PMV), a wholly-owned mortgage banking subsidiary. PB was last evaluated on October 1, 2012, and received an overall “Needs to Improve” Rating.

Operations

PB is a commercial bank and specialty lender. PB has two core business lines, commercial lending through the bank and mortgage lending conducted through PMV. PB does not offer retail deposit products or loan products to walk-in customers. Deposits are primarily commercial and obtained via online sources. The bank also offers Small Business Administration-guaranteed loans. The bank continues with its niche strategy of serving the financial needs (working capital and residential mortgages) of the corporate relocation industry. PB also provides “in market lending” to small- and middle- market borrowers. The bank has not opened or closed any branches since the previous evaluation.

Ability and Capacity

As of the September 30, 2015 Call Report, PB reported total assets of \$113.1 million, total loans (net of unearned income) of \$64.4 million, representing 56.9 percent of total assets. Total deposits are reported as \$101.0 million. Total equity capital is \$8.2 million and represents 7.3 percent of total assets. As previously mentioned, PB has two core business lines: commercial lending conducted through the bank and mortgage lending conducted through PMV.

The following table depicts the composition of PB’s loan portfolio, based on the September 30, 2015 Call Report:

Loan Portfolio Distribution as of 09/30/2015		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	9,782	15.2
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	7,362	11.4
Secured by Multi-family (5 or more) Residential Properties	0	0.0
Secured by Non-farm Non-Residential Properties	31,536	49.0
Total Real Estate Loans	48,680	75.6
Commercial and Industrial Loans	9,792	15.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	0	0.0
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	5,935	9.2
Less: Unearned Income	0	0.0
Total Loans	64,407	100.0
<i>Source: Call Report</i>		

As presented in the table, non-residential commercial real estate and commercial and industrial loans account for 64.2 percent of PB's portfolio, followed by the combined residential-secured loan categories at 11.4 percent.

PB also originates and sells residential mortgage loans on the secondary market. By selling these mortgages, the bank generates liquidity and increases its capacity to fund additional loans on a continuing basis. These loans are not reflected in the portfolio figures and further add to the significance of residential lending in the mix of overall products offered by the bank.

DESCRIPTION OF ASSESSMENT AREA

CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. The bank delineated the State of Utah as its Combined AA for CRA purposes. The Combined AA is composed of the following four AAs:

1. **Salt Lake Combined Statistical Area (Salt Lake CSA) AA:** Salt Lake, Summit, Tooele, Utah, and Davis Counties comprise the Salt Lake City-Provo-Orem, UT CSA #482. The CSA includes the following three metropolitan statistical areas (MSA): 1) Salt Lake City, UT MSA #41620; 2) Provo, UT MSA #39340; and 3) Ogden, UT MSA #36260.
2. **Logan AA:** Cache County comprises the Logan, UT MSA #41740.
3. **St. George AA:** Washington County comprises the St. George, UT MSA #41100
4. **Non-MSA AA:** Beaver, Carbon, Daggett, Duchesne, Emery, Garfield, Grand, Iron, Kane, Millard, Piute, Rich, San Juan, Sanpete, Sevier, Uintah, Wasatch, and Wayne Counties comprise the Non-MSA AA.

The Combined AA complies with all of the technical requirements of the CRA regulation by containing whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude any LMI area.

Economic and Demographic Data

Based on the 2010 U.S. Census, the bank's Combined AA consists of 588 census tracts (CTs): 25 low-income, 102 moderate-income, 308 middle-income, 149 upper-income, and 4 CTs with no income designation. The total estimated population for the AA according to the 2010 U.S. Census is approximately 2.8 million. According to 2014 D&B data, there are 225,374 businesses within this AA. Of this total, 162,622, or 72.2 percent, are businesses with gross annual revenues of \$1 million or less.

Demographic Information for the Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	588	4.3	17.4	52.3	25.3	0.7
Population by Geography	2,763,885	3.3	16.6	55.5	24.5	0.1
Housing Units by Geography	952,370	3.6	18.2	55.9	22.3	0.0
Owner-Occupied Units by Geography	611,498	1.1	12.4	59.0	27.5	0.0
Occupied Rental Units by Geography	247,660	9.9	32.8	46.9	10.4	0.0
Vacant Units by Geography	93,212	3.3	17.4	59.4	19.9	0.0
Businesses by Geography	225,374	3.0	16.4	51.1	29.3	0.2
Farms by Geography	6,207	1.4	9.7	64.3	24.5	0.1
Family Distribution by Income Level	646,050	17.7	19.0	23.7	39.6	0.0
Household Distribution by Income	859,158	3.6	18.3	55.5	22.6	0.0
Median Family Income (MFI) Federal Financial Institution Examination Council (FFIEC)-Estimated MFI for 2015		63,852 67,334	Median Housing Value Median Gross Rent Families Below Poverty Level			232,284 806 10%

Source: 2010 U.S. Census, 2014 D&B Data, and 2015 FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.

The FFIEC-updated MFI level is used to analyze home mortgage loans under the borrower profile criterion under the small bank lending test. The low-, moderate-, middle, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50 %	Moderate 50 % to <80 %	Middle 80 % to <120 %	Upper ≥120 %
SL CSA Median Family Income				
2014 (\$69,244)	<\$34,622	\$34,622 to <\$55,395	\$55,395 to <\$83,092	≥\$83,092
2015 (\$71,070)	<\$35,535	\$35,535 to <\$56,856	\$56,856 to <\$85,284	≥\$85,284
Logan MSA Median Family Income				
2014 (\$58,300)	<\$29,150	\$29,150 to <\$46,640	\$46,640 to <\$69,960	≥\$69,960
2015 (\$57,200)	<\$28,600	\$28,600 to <\$45,760	\$45,760 to <\$68,640	≥\$68,640
St. George MSA Median Family Income				
2014 (\$53,800)	<\$26,900	\$26,900 to <\$43,040	\$43,040 to <\$64,560	≥\$64,560
2015 (\$54,900)	<\$27,450	\$27,450 to <\$43,920	\$43,920 to <\$65,800	≥\$65,800
Non-MSA Median Family Income				
2014 (\$62,000)	<\$31,000	\$31,000 to <\$49,600	\$49,600 to <\$74,400	≥\$74,400
2015 (\$63,800)	<\$31,900	\$31,900 to <\$51,040	\$51,040 to <\$76,560	≥\$76,560

Source: FFIEC Estimated Median Family Income

According to economic research compiled by Moody's Analytics, the overall economy in Utah is among the strongest in the nation. The income and growth rates are leading the pace for the state and the nation. Hiring is broad-based across finance, manufacturing, and leisure/hospitality, with high technology investments, an important catalyst of growth. Housing has benefited from strong job and income gains, with increased sales of 15 percent from a year ago. The statewide unemployment rate has improved from 5.4 percent in December 2012 to 3.3 percent in July 2015. The area's strengths include a young, well-educated population and strong population growth, low business costs, and

emerging clusters of high-tech service and finance industries. The area's weaknesses are the regionally heavy reliance on the federal government and relatively low office space availability. The top three employers in the State are Intermountain Health Care, Hill Air-force Base, and Brigham Young University.

The economic profile for each of the individual AAs can be found under the Salt Lake CSA, Logan, St. George, and Non-MSA AA Conclusions on Performance Criteria under the Small Bank Procedures.

Competition

The bank operates in a highly competitive market, which includes a number of large national and regional financial institutions within the AA. According to the June 30, 2014 Deposit Market Share Report, the bank's AA had 136 financial institutions operating 637 branches holding \$464.0 billion in deposits. The top 4 institutions control approximately 56.4 percent of the AA deposit market share with a combined \$40.3 billion in deposits. PB's branch maintained \$159.7 million in deposits. PB holds approximately 0.2 percent of the AA's deposits and is ranked 61st based on deposit market share.

Community Contact

In conjunction with this evaluation, examiners reviewed two community contacts. The first contact was a CD organization that provides access to capital for new and existing businesses. The CD organization focuses its efforts on supporting LMI communities within the AA. The contact stated that small business loans, especially for start-up businesses, are in high demand in the AA, yet small business funding is difficult to obtain from institutions. The second contact was a local housing authority, which indicated that the availability of affordable housing for LMI individuals and families is the most significant need and the greatest continued opportunity for local financial institution involvement. Furthermore, the contact stated that there is a favorable environment for investment opportunities in the State of Utah and that local financial institutions are becoming more engaged in providing funding in the form of low-income housing tax credit projects.

Credit and Community Development Needs and Opportunities

Considering the information from the community contact, bank management, and demographic and economic data, examiners determined that small business loans, especially start-up financing, represent a primary credit need in the Combined AA. In addition, there is a need for affordable housing, which institutions may fund through qualified investments such as low-income housing tax credits.

PB's Plan identified helping to meet the affordable housing needs of LMI individuals as opportunities for qualified investments. Specifically, the Plan identified the following opportunities for participation: investments or loans to financial intermediaries that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote CD; investments in loans to organizations engaged in affordable housing, rehabilitation, construction and promoting economic and CD; investments in mortgage-backed securities consisting of pools of mortgages used as collateral for the issuance of securities (MBS) in the secondary market; and investments in qualified bonds.

CONCLUSIONS ON PERFORMANCE CRITERIA BASED ON STRATEGIC PLAN PROCEDURES

PB's overall CRA performance is rated "Satisfactory" in helping to meet the credit needs of its designated AA in a manner consistent with its resources and capabilities. The following information relates to the measurable goals for performance established by the Plan for Plan Years 2012 and 2013. To determine PB's overall CRA Rating, the Plan gives greater weight to annual CD investment activities and less weight to CD service hours.

Community Development Investments

Investment in the AA serves as the key element of PB's Plan. The Plan establishes that the adequacy of PB's CD investment performance for each Plan year is determined by the average dollar amount of CD investments expressed as a percentage of year-end assets. Average annual CD investments are calculated by dividing the sum of the month-end total value of investments by 12. The average CD investments are then divided by year-end assets to show actual performance during the year.

The table below summarizes the goals established by the Plan and PB's actual performance under this criterion for 2012 and 2013.

CD Investment Performance					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory (%)	Outstanding (%)	Average Annual CD Investments	Total Assets	Actual Performance
2012	1.00	1.25	3,624,323	209,365,000	1.73%
2013	1.00	1.25	2,687,598	168,648,000	1.59%

Source: Bank data and plan

PB's CD investments meet the minimum goals established by the Plan for "Outstanding" performance for 2012 and 2013. PB's overall CD investment performance is "Outstanding."

The Plan relies on CD investments as the primary method by which PB will meet its measurable goals. The table below summarizes the types of CD investments made by PB by Plan year.

CD Investments		
Qualified CD Investments	Plan Year	
	2012	2013
Affordable Housing Loan Pool	70,932	64,282
Mortgage Backed Securities Pools	3,553,391	2,623,316
Total	3,624,323	2,687,598

Source: Bank Records

PB's CD investment activities are primarily targeting affordable housing for LMI individuals and families within Utah. These investments are summarized below:

- MBSs comprised of loans to LMI individuals in Utah.

- Affordable housing loan pool made up of loans servicing housing needs of LMI communities throughout Utah.

Community Development Services

Under the Plan, CD services are evaluated by the number of hours that employees of PB perform qualified services. The primary purpose of the service performed must be CD and utilize the financial expertise of the employee providing the service.

PB's Plan calculates CD service goals by multiplying the number of bank staff times 40 hours per week times 49 weeks (52 weeks less 3 weeks of vacation) to come up with available employee hours. The number of service hours is then divided by the total available employee hours to come up with Plan goals. PB's staff consisted of 19 employees in 2012 and 22 employees in 2013.

The table below shows that PB met the minimum goals established under the Plan for "Satisfactory" performance during 2012. However, Plan goals were not met during 2013. PB's overall CD services performance is "Needs to Improve." During the review period, PB employees provided 192 hours of qualified CD service. The measurable goals for CD services and PB's actual performance are detailed in the table below.

CD Service Hours				
Plan Year	Bank Established Goals as a % of Available Employee Hours		Bank Performance	
	Satisfactory (%)	Outstanding (%)	Qualified Service Hours	Hours as a % of Available Employee Hours
2012	0.25	0.45	106	0.28
2013	0.25	0.45	86	0.20
<i>Source: Data from bank reports and plan</i>				

PB's CD services primarily focus on LMI families and individuals, financial education, tax preparation services, and LMI housing. Services performed rely on the employees' financial expertise.

CONCLUSIONS ON PERFORMANCE CRITERIA BANK-WIDE PERFORMANCE BASED ON SMALL INSTITUTION PROCEDURES

Of the five criteria considered in the small institution lending test, AA concentration was given the most weight because of the limited in-area lending. This is followed by borrower profile, geographic distribution, and LTD ratio. The criterion response to complaints was not applicable for this evaluation because PB did not receive any CRA-related complaints.

Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 84.4 percent over the past 12 calendar quarters from December 31, 2012 to September 31, 2015. The ratio ranged from a low of 63.2 percent as of September 30, 2015, to a high of 97.0 percent as of June 30, 2013. PB has maintained a ratio above those of comparable institutions, as shown in the table below. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2015 \$(000)s	Average Net LTD Ratio (%)
Proficio Bank	113,116	84.4
Similarly-Situated Institution #1	189,513	49.8
Similarly-Situated Institution #2	75,098	64.8
<i>Source: Reports of Income and Condition 12/31/2012 through 9/30/2015</i>		

Assessment Area Concentration

A substantial majority of loans and other lending-related activities were originated outside of PB's Combined AA, reflecting a poor performance within the bank's AAs. The following table shows that only 1.3 percent by number and 1.8 percent by dollar volume of the residential mortgage and small business loans were originated within the AA.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2014	29	1.0	2,963	99.0	2,992	5,894	1.1	554,368	99.0	560,262
2015	4	2.2	174	97.8	178	653	2.0	30,913	98.0	31,566
Subtotal	33	1.0	3,137	99.0	3,170	6,547	1.1	585,281	98.9	591,828
Small Business										
2014	5	35.7	9	64.3	14	3,046	40.0	4,564	60.0	7,610
2015	4	26.7	11	73.3	15	1,197	27.0	3,231	73.0	4,428
Subtotal	9	31.0	20	69.0	29	4,243	35.3	7,795	64.7	12,038
Total	42	1.3	3,157	98.7	3,199	10,790	1.8	593,076	98.2	603,866
Source: 2014 and 2015 HMDA Reported Data and Bank Records										

Geographic Distribution

The geographic distribution of loans reflects an overall poor dispersion throughout the Combined AAs. The geographic distribution of residential mortgage loans reflects poor dispersion throughout the AA. PB's lending activity to small businesses is too nominal to form meaningful conclusions regarding the geographic distribution within the Combined AA.

Residential Mortgages

The geographic distribution of residential mortgage loans reflects a decreasing trend from 2014 lending performance to 2015 lending. The following table illustrates the bank's geographic distribution of residential mortgage loans by number and by income level of the CTs in the Combined AAs.

Geographic Distribution of Home Mortgage Loans – Combined AAs						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	1.1	1.3	1	3.5	52	0.9
2015	1.1	--	0	0.0	0	0.0
Moderate						
2014	12.4	11.2	3	10.3	441	7.5
2015	12.4	--	1	25.0	69	10.6
Middle						
2014	59.0	59.9	19	65.5	3,815	64.7
2015	59.0	--	1	25.0	150	22.9
Upper						
2014	27.5	27.6	6	20.7	1,586	26.9
2015	27.5	--	2	50.0	434	66.5
Totals						
2014	100.0	100.0	29	100.0	5,894	100.0
2015	100.0	--	4	100.0	653	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

In 2014 the bank's lending in low-income CTs at 3.5 percent is above the percentage of owner-occupied housing units at 1.1 percent, as well as 2014 aggregate data (data for all institutions required to report such data) at 1.3 percent. Lending in moderate-income CTs at 10.3 percent is below the percentage of owner-occupied housing units at 12.4 percent, and 2014 aggregate data at 11.2 percent. However, it is noted that the bank only originated one loan in low-income and three loans in moderate-income CTs.

In 2015, the bank did not originate any loans in low-income CTs and issued just one loan in a moderate-income CT. Owner-occupied housing units represent 1.1 percent and 12.4 percent for LMI CTs. Aggregate lending data for 2015 is not available for comparative purposes.

The bank's low lending volume in LMI CTs shows a decreasing trend from originating four loans in LMI CTs in 2014 to one loan in 2015. This overall performance reveals a poor dispersion throughout the Combined AAs. PB's previous CRA Evaluation was conducted using strategic plan procedures and therefore residential mortgage lending data is not available for comparison.

Small Business Loans

PB's small business lending activity during the review period is too nominal to form any meaningful conclusions regarding the geographic distribution within the Combined AA. The loans in 2014 are located one in moderate-, two in middle-, one in upper- income CTs, and one in a CT with no income information. In 2015, no small business loans were originated in LMI CTs, three in middle-, and one in upper-income CTs.

Borrower Profile

The distribution of borrowers reflects poor penetration throughout the AA. PB's residential mortgage lending reflects poor penetration to individuals of different income levels. PB's lending activity to small businesses is too nominal to form meaningful conclusions regarding the borrower profile within the Combined AA.

Residential Mortgages

The distribution of residential loans reflects poor penetration among individuals of different income levels within the Combined AA. The following table illustrates the bank's distribution of residential mortgage loans by number and borrower income level:

Distribution of Home Mortgage Loans by Borrower Income Level-Combined AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	17.7	7.6	0	0.0	0	0.0
2015	17.7	--	0	0.0	0	0.0
Moderate						
2014	19.0	22.9	7	24.1	1,370	23.2
2015	19.0	--	0	0.0	0	0.0
Middle						
2014	23.7	23.9	7	24.1	1,358	23.0
2015	23.7	--	0	0.0	0	0.0
Upper						
2014	39.6	28.4	3	10.4	975	16.5
2015	39.6	--	0	0.0	0	0.0
Income Not Available						
2014	0.0	17.2	12	41.4	2,191	37.3
2015	0.0	--	4	100.0	653	100.0
Total						
2014	100.0	100.0	29	100.0	5,894	100.0
2015	100.0	--	4	100.0	653	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

As shown in the table, PB originated no loans to low-income borrowers in 2014 and 2015. Performance in lending to moderate-income borrowers was limited in 2014 and zero in 2015. This overall performance reveals a poor distribution of lending to LMI borrowers within the Combined AA.

Small Business Loans

PB's lending activity during the review period is too nominal to form meaningful conclusions regarding the borrower profile within the Combined AA. No analysis was conducted.

Response to Complaints

The bank did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

Other Considerations

In addition to the criteria discussed above, examiners also considered the bank's purchase of CRA-qualified MBSs in 2014 and 2015 as "lending-related" qualified investments in respect to the lending criteria of "percentage of loans in the AA" and "lending to borrowers of different income levels." On April 14, 2014, the bank purchased a CRA-qualified MBS for a total of \$1.8 million. The review showed 14 underlying loans in which 3 were to low-income borrowers and 11 to moderate-income borrowers all located in the Salt Lake CSA. On May 20, 2015, the bank purchased a CRA-qualified MBS for a total of \$1.9 million. There were 11 underlying loans in which 4 were to low-income borrowers and 7 to moderate-income borrowers. Ten of the loans were located in the Salt Lake CSA and the 1 remaining loan was located in the St. George MSA. The total of 25 loans would marginally increase the percentage of loans inside the Combined AA from 1.3 percent to 2.1 percent by count. The bank did not originate any loans in the low-income CTs in 2014 or 2015, and originated only seven loans in 2014 in the moderate-income CTs. The addition of 7 loans in the low-income CTs, and 18 loans in the moderate-income would positively impact borrower profile criteria. However, the purchase of these two MBS is not considered exceptionally strong CD lending and it does not adequately compensate for the weak performance in the percentage of loans in the AA and poor penetration of lending to borrowers of different income levels.

FULL-SCOPE ASSESSMENT AREA ANALYSIS

SALT LAKE COMBINED STATISTICAL AREA ASSESSMENT AREA

Description of Institution's Operations in the Salt Lake CSA AA

PB operates out of a single office in the Salt Lake CSA AA. PB originated 23 residential mortgage loans totaling \$4.5 million in 2014, and 3 loans totaling \$500,000 in 2015 within the Salt Lake CSA AA. For residential mortgage loans reviewed for this evaluation period, 79.8 percent of the numbers were within the Salt Lake CSA AA. In addition, the bank originated 4 small business loans totaling \$2.3 million in 2014, and 4 loans totaling \$1.1 million in 2015 within the AA. Approximately 88.9 percent of the small business loans reviewed for this evaluation period were originated within the Salt Lake CSA AA.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

Based on the 2010 U.S. Census data, the bank's Salt Lake CSA AA consists of 470 CTs: 24 low-income, 86 moderate-income, 230 middle-income, 126 upper-income, and 4 CTs with no income. LMI CTs account for 5.1 percent and 18.3 percent, respectively, of the total number of tracts in the AA. The total estimated population for the AA was approximately 2.2 million. The table provides a summary of the demographics, housing, and business information within the AA.

Demographic Information of the SL CSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	470	5.1	18.3	48.9	26.8	0.9
Population by Geography	2,211,842	4.0	17.2	52.1	25.5	0.3
Housing Units by Geography	720,998	4.7	19.9	51.1	24.3	0.0
Owner-Occupied Units by Geography	482,175	1.4	13.3	55.4	29.9	0.0
Occupied Rental Units by Geography	195,872	12.2	34.3	42.8	10.7	0.0
Vacant Units by Geography	42,951	7.0	28.2	41.0	23.8	0.0
Businesses by Geography	172,282	3.8	17.3	46.9	31.7	0.3
Farms by Geography	3,997	2.1	11.5	57.5	28.8	0.1
Family Distribution by Income Level	508,474	17.6	19.1	23.8	39.5	0.0
Household Distribution by Income	658,047	4.5	19.3	51.8	24.4	0.0
MFI		65,799	Median Housing Value			232,331
FFIEC-Estimated MFI for 2015		71,070	Median Gross Rent			806
			Families Below Poverty Level			10%
Source: 2010 U.S. Census, 2014 D&B Data, and FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

According to Moody's Analytics, Salt Lake City ranks among the country's fastest growing large cities with growth in high technology (High Tech) being the key factor. High Tech payrolls have risen 25 percent since 2010, which constitutes more than twice the national average. The primary growth in employment is in manufacturing, finance, and leisure & hospitality, growing at above average rates. The exceptional job creation in high-paying industries has in turn benefited housing in the area with existing single-family home sales up 15 percent over the last year. Unemployment has

seen steady improvement from 4.3 percent previously in December 2013, to 3.3 percent in July 2015. The top three employers of the Salt Lake City Metro area include Intermountain Health Care, Inc.; the University of Utah; and World Financial Capital Bank.

Refer to the CAA section of this PE for details on competition and community contact information.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout PB's AA. The geographic distribution of residential mortgage loans reflects poor dispersion throughout the AA; however, as a result of the nominal level of lending, no meaningful conclusions can be derived from the small business analysis.

Residential Mortgages

The geographic distribution of residential mortgage loans reflects a decreasing trend from 2014 lending performance to 2015 lending. The following table illustrates the bank's geographic distribution of residential mortgage loans by number and by income level of the CTs in the AAs.

Geographic Distribution of Home Mortgage Loans – Salt Lake CSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	1.4	1.7	1	4.4	52	1.2
2015	1.4	--	0	0.0	0	0.0
Moderate						
2014	13.3	12.0	3	13.0	441	9.8
2015	13.3	--	1	33.3	69	13.7
Middle						
2014	55.4	57.2	14	60.9	2,777	61.6
2015	55.4	--	0	0.0	0	0.0
Upper						
2014	29.9	29.1	5	21.7	1,241	27.4
2015	29.9	--	2	66.7	434	86.3
Totals						
2014	100.0	100.0	23	100.0	4,511	100.0
2015	100.0	--	3	100.0	503	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

In 2014, the bank's limited lending in low-income CTs at 4.4 percent was above the percentage of owner-occupied housing units at 1.4 percent, as well as 2014 aggregate data at 1.7 percent. Lending in moderate-income CTs at 13.0 percent was above the 2014 aggregate data at 12.0 percent, and

slightly trails the percentage of owner-occupied housing units at 13.3 percent. However, it is noted that the bank only originated one loan in low-income and three loans in moderate-income CTs.

In 2015, the bank did not originate any loans in low-income CTs and one loan in a moderate-income CT. Owner-occupied housing units represent 1.4 percent and 13.3 percent for LMI CTs. Aggregate lending data for 2015 is not available for comparative purposes.

The bank's low lending volume in LMI CTs shows a decreasing trend from originating four loans in LMI CTs in 2014 to one loan in 2015. This overall performance reveals a poor dispersion throughout the AAs.

Small Business Loans

PB's small business lending activity during the review period is too nominal to form meaningful conclusions regarding the geographic distribution within the combined AA. The loans in 2014 are located one in moderate-, one in middle-, one in upper- income, and one in a CT with no income information. In 2015, no small business loans were originated in LMI CTs, three in middle- , and one in upper-income CTs.

Borrower Profile

The distribution of borrowers reflects poor penetration throughout the AA. PB's residential mortgage lending reflects poor penetration to individuals of different income levels. PB's lending activity to small businesses is too nominal to form meaningful conclusions regarding the borrower profile within the Salt Lake CSA AA.

Residential Mortgages

The distribution of residential loans reflects poor penetration among individuals of different income levels within the Combined AA. The following table illustrates the bank's distribution of residential mortgage loans by number and borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level-SL CSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	17.6	8.4	0	0.0	0	0.0
2015	17.6	--	0	0.0	0	0.0
Moderate						
2014	19.1	24.3	7	30.4	1,370	30.4
2015	19.1	--	0	0.0	0	0.0
Middle						
2014	23.8	24.4	6	26.1	1,165	25.8
2015	23.8	--	0	0.0	0	0.0
Upper						
2014	39.5	26.2	1	4.4	213	4.7
2015	39.5	--	0	0.0	0	0.0
Income Not Available						
2014	0.0	16.7	9	39.1	1,763	39.1
2015	0.0	--	3	100.0	503	100.0
Total						
2014	100.0	100.0	23	100.0	4,511	100.0
2015	100.0	--	3	100.0	503	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

As shown in the above table, PB originated no loans to low-income borrowers in 2014 and 2015. Performance in lending to moderate-income borrowers was limited in 2014 and zero in 2015. This overall performance reveals a poor distribution of lending to LMI borrowers within the Salt Lake CSA AA.

Small Business Loans

PB's lending activity during the review period is too nominal to form any meaningful conclusions regarding the borrower profile within the AA. No analysis was conducted.

METROPOLITAN AREA LIMITED-SCOPE EXAMINATION PROCEDURES

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LOGAN AA

PB originated 1 residential mortgage loan totaling \$150,000 in the AA during the review period. Lending activities within the AA are nominal when compared to the full-scope review of the Salt Lake CSA AA.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

Based on the 2010 U.S. Census data, the Logan AA consists of 26 CTs: 1 low-, 7 moderate-, 12 middle-, and 6 upper-income. LMI CTs account for 3.9 percent and 26.9 percent, respectively, of the total number of tracts in the AA. The total estimated population for the AA was 112,656. According to 2014 D&B data, there were 8,150 businesses operating within this AA.

According to Moody's Analytics, Logan AA recovery is steady and the business sectors are expanding. The industries with strongest job gains include the service industry, retail, and healthcare. Job growth has created a positive residual effect on the housing market. The manufacturing sector, however, continues to struggle, as food processing hiring remains weak. Unemployment showed an improving trend, decreasing from 3.8 percent in December 2013, to 2.9 percent in July 2015. The top three employers in the area include Utah State University, ICON Health and Fitness, and Logan Regional Hospital.

Refer to the CAA section for Community Contact information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE LOGAN AA

LENDING TEST

PB's lending performance in the Logan AA is not consistent with the bank's performance in the Salt Lake CSA AA that was reviewed using full-scope evaluation procedures. PB's lending performance in 2014 and 2015 reflects too few loans originated to yield meaningful results. Therefore, no analysis was conducted.

METROPOLITAN AREA LIMITED-SCOPE EXAMINATION PROCEDURES

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ST. GEORGE AA

PB originated 1 residential mortgage loan totaling \$417,000 in the AA during the review period. Lending activities within the AA are nominal when compared to the full-scope review of the Salt Lake CSA AA.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

Based on the 2010 U.S. Census data, the St. George AA consists of 21 CTs: no low-income, 1 moderate-income, 17 middle-income, and 3 upper-income. Moderate-income CTs account for 4.8 percent of the total number of tracts in the AA. The total estimated population for the AA was 138,115. According to 2014 D&B data, there were 12,297 businesses within this AA.

According to Moody's Analytics, the St. George AA experienced exceptional growth the first four years of the recovery. However, St. George's employment has stabilized at a pace closer to the national average over the past year and a half. Job growth is concentrated primarily with lower-paying positions in the retail and leisure and hospitality industries. Additionally, job growth in these industries has contributed to below average income growth in the area. The housing market is strong due to the low prices and high affordability, with existing-home sales doubling over the past 4 years, in comparison to a 40 percent increase nationwide. The residential and commercial construction industry has been the driving factor to the high employment growth early in the recovery stage. Job growth is stable and the construction industry remains healthy. Unemployment improved incrementally from 5.4 percent in December 2013, to 4.1 percent in July 2015. The top three employers of the St. George area include IHC-Intermountain Health Care; Wal-Mart Stores, Inc.; and Dixie Regional Medical Center.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ST. GEORGE AA

LENDING TEST

PB's lending performance in the St. George AA is not consistent with the bank's performance in the Salt Lake CSA AA that was reviewed using full-scope evaluation procedures. PB's lending performance in 2014 and 2015 reflects too few loans originated to yield meaningful results. Therefore, no analysis was conducted.

METROPOLITAN AREA LIMITED-SCOPE EXAMINATION PROCEDURES

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NON-MSA AA

In 2014, PB originated 5 residential mortgage loans totaling \$966,000 and 1 small business loan totaling \$653,000 in this AA during the review period. No loans were originated in the Non-MSA AA in 2015. Lending activities within this AA are nominal when compared to the bank's performance in the Salt Lake CSA AA.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

Based on the 2010 U.S. Census data, the non-MSA AA consists of 71 CTs: no low-income, 8 moderate-income, 49 middle-income, and 14 upper-income. Moderate-income CTs account for 11.3 percent of the total number of tracts in the AA. The total estimated population for the AA was 301,272. According to 2014 D&B data, there were 24,890 businesses within this AA.

Although comprehensive detailed economic data is not available for the 18 non-metropolitan counties, general conditions are influenced by factors noted for the statewide discussion, as well as PB's other 3 AAs due to the close proximity to each county in the non-MSA Combined AA. Refer to the CAA section for general information pertaining to this area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NON-MSA AA

LENDING TEST

PB's lending performance in the non-MSA AA is not consistent with the bank's performance in the Salt Lake CSA AA that was reviewed using full-scope evaluation procedures. PB's lending performance in 2014 and 2015 reflects too few loans originated to yield meaningful results. Therefore, no analysis was conducted.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Substantive violations of Section 8 of RESPA involving the payment of illegal referral fees were identified during the review period. While these practices have been discontinued, this violation must be taken into account when assessing a bank's overall CRA performance as they are inconsistent with meeting community credit needs. Based on the seriousness of the violation, the institution's CRA Rating has been lowered from "Needs to Improve" to "Substantial Noncompliance."

A discriminatory violation of the Equal Credit Opportunity Act (ECOA) was also identified during the review period. However, the ECOA violation did not adversely impact the CRA Rating. This is because the effect of this violation is very limited. Corrective action to remedy and prevent future recurrence of the violation has been implemented.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan

funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential

and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.